



Request for City Council Committee Action from the City Coordinators Office

Date: July 9, 2012

To: Honorable Elizabeth Glidden, Chair, Regulatory, Energy and Environment Committee

Subject: Comments re Xcel Energy's proposed elimination of Solar Rewards Program

Recommendation:

Authorize submission of comments to Minnesota Department of Commerce, Division of Energy Resources related to Xcel Energy's 2013-2015 Minnesota Electric and Natural Gas Conservation Improvement Program, Docket Number E, G002/CIP-12-447.

Department Information

Prepared by: Gayle Prest, Sustainability Director

Approved by: Paul Aasen, City Coordinator

Presenters in Committee: Gayle Prest and Corey Conover

Financial Impact

No financial impact.

Background

Xcel Energy recently filed with the Minnesota Department of Commerce, Division of Energy Resources, a document containing their proposed Conservation Improvement Plan for 2013-2015. It includes proposed elimination of their Solar Rewards program. The Solar Rewards program offers a financial rebate for qualifying small / medium sized solar photovoltaic (pv) installations. There is an opportunity for the public to file comments on the proposal by July 11. City staff has drafted proposed comments for submission.

Background on Conservation Improvement Program:

Under Minnesota statute 216B.241, each Minnesota electric and natural gas utility develops its own conservation plan, offering a variety of programs to assist residential and business customers to become more energy efficient. There is a public comment period on the draft plan and then the Minnesota Department of Commerce, Division of Energy Resources (DER) reviews, and approves the plan, with any recommended changes.

Utility programs typically focus on providing incentives to customers to purchase energy efficient products instead of standard efficiency products in order to meet the 1.5% energy reduction goals as outlined in the Minnesota Next Generation Energy Act.

Under Minnesota statute 216B.2411 as an incentive to increase the state's energy security, and support a clean energy economy, up to 10 percent of the overall minimum spending requirement may be spent on qualifying solar energy projects. Up to 5 percent of the overall minimum spending requirement may be spent on other renewable and distributed generation projects.

Utilities must file their CIP plans at least every three years. Utilities report their actual CIP spending and savings achieved on an annual basis.

Xcel Energy's Proposed Changes related to Solar Incentives:

Xcel Energy recently filed with the State their proposed Conservation Improvement Program for 2013-2015.

They are proposing to reduce both the total dollars and the incentive per watt for the Solar Rewards program in 2013 and then eliminate the program completely in 2014. (In 2013, the program's overall budget would be reduced by 50% to \$2.5 million and the one-time incentive amount would be just \$1.50 per watt compared to \$2.25 from 2010-2012.)

Reducing the incentive amount and discontinuing the Solar Rewards program after 2013 avoids \$12.5 million in spending over 2013-2015 as compared to 2010-2012. This program is a small part of Xcel Energy's Minnesota CIP portfolio. In 2012 alone, Xcel Energy spent \$79 million on their CIP program related to electricity. Although Xcel plans to phase out the Solar Rewards program, its overall electric conservation budget as proposed will increase to \$86 million in 2013 and to \$89 million by 2015.

Summary of Comments and Potential Impacts:

The Solar Rewards program has been extremely beneficial to the city in addressing its sustainability targets related to renewable energy and green job. In the longer term, increasing solar capacity in the City through Solar Rewards will help us meet the sustainability goals related to air quality and greenhouse gas emission reduction as we move away from fossil fuels to clean, renewable energy.

The City has been a leader in promoting solar energy in the State. In partnership with the City of Saint Paul, we received a United States Department of Energy Solar America Cities grant that has streamlined solar permitting processes; reduced permitting fees; educated inspectors, installers and the public; and ultimately resulted in a five-fold increase in solar installations throughout the state in a three-year time period. In 2011 within the City of Minneapolis geographic area, there were 30 projects totaling 216 kw that received Solar Rewards rebates.

Seven city-owned buildings currently have solar pv or solar thermal installations. We have received Solar Rewards rebates for three projects totaling \$201,000.

The proposed City comments on the CIP will ask for continuation of the Solar Rewards program for 2013 -2015 at close to the 2012 levels. This funding amount is within the CIP rules, represents a fraction of their overall CIP funding.